



**Director of
Central
Intelligence**

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SITUATION REPORTS

IRAN

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Senior Iranian military leaders appear willing to support the government of Prime Minister Bakhtiar for the moment. They have no plans to interfere in the demonstrations scheduled for Friday and will restrict military personnel to designated areas during the marches.

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tension between the opposition and the military remains high in many provincial cities.

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The willingness of senior officers to give Bakhtiar time probably reflects their belief that they will be able to work with him and that the new civilian cabinet represents the best alternative to a direct confrontation between the military and the religious opposition.

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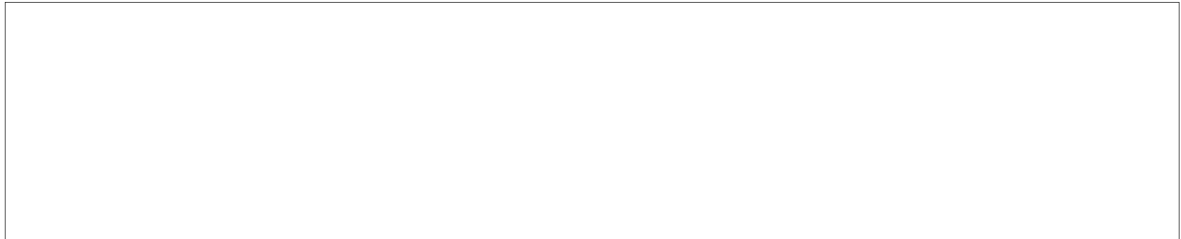
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Opposition Maneuvering

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Khomeini has agreed to give Bakhtiar breathing room and to allow the LMI to set up a committee to "resolve" the current strikes. In a statement issued in Paris yesterday, however, Khomeini called for continued strikes against "the usurper regime."

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These contradictory statements reflect the intensive maneuvering by the opposition now underway. Moderate figures are trying to arrange some compromise between Bakhtiar's government and Khomeini in which Khomeini's Islamic Revolutionary Council and Bakhtiar's Regency Council would share power.

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Judging from the comments to the press by members of Khomeini's entourage in Paris it appears he is considering announcing his candidates for a new government soon. There is no reliable evidence to suggest that he is willing as yet to accept a power-sharing formula with Bakhtiar.

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EGYPT-SUDAN: Unity Talks

Recent high-level Egyptian-Sudanese discussions, and a scheduled visit to Khartoum by President Sadat later this week, underscore Egypt's interest in maintaining close relations with Sudan and ensuring the stability of President Numayri's regime. Further moves toward increased political and economic integration seem likely, but will stop short of full unity.

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The latest round of bilateral talks resulted in a number of economic and technical agreements. Sadat sees such integration efforts as a way to enhance Egyptian influence in Sudan and to help strengthen the country against external threats. Sadat is deeply concerned about radical-leftist activities and intentions in the Arabian Peninsula and Africa, and he gives the highest priority to ensuring continuation of a friendly government in Khartoum.

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Numayri, for his part, regards Egyptian political and economic support as a counter to pressures from the radical regimes in Libya and Ethiopia. Many Sudanese, however, see increased Egyptian influence as a threat to Sudanese independence and will oppose full political unity with Egypt.

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TURKEY: Multilateral Aid

Representatives of the US, UK, France, and West Germany meet in Bonn today to discuss procedures for aid to help solve Turkey's economic crisis, which threatens the stability of NATO's southern flank. The four want aid to be part of a broad program under the auspices of the Organization for Economic Cooperation and Development leading to medium-term stabilization of the Turkish economy. Turkey has in the past stoutly resisted conditions sought by the International Monetary Fund designed to accomplish this objective.

The West Germans clearly are anxious to get an economic assistance program under way quickly.

Bonn is prepared to "shoulder a heavy burden" in an international rescue operation. The West Germans visualize a phased approach under OECD auspices--immediate assistance, an OECD study of the Turkish economic situation, and finally a medium-term stabilization program.

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French concerns about the Middle East will probably lead Paris to participate in a rescue operation, although France will want to keep a low profile because of its close ties with Greece. The French have traditionally opposed an expanded OECD political role and may encourage coordination with the IMF.

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The British see the Bonn meeting as an initial step in assisting Turkey and have few proposals about how the problem should be approached. London is convinced that the West Germans should take the lead and that Japan and Saudi Arabia should be encouraged to join.

The Turkish attitude remains in question. Prime Minister Ecevit hinted at greater flexibility in a speech to his party's parliamentary group on Tuesday, but this may have been designed to loosen purse strings in Bonn today.

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LEBANON: Movement of Army Teams

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Twelve additional Lebanese Army personnel moved to UNIFIL positions in southern Lebanon yesterday, [redacted] Little more than a week ago six two-man Army liaison teams were sent to UNIFIL's battalion headquarters to establish a symbolic Lebanese Government presence in the south before the expiration this week of the UN peacekeeping force's mandate. [redacted]

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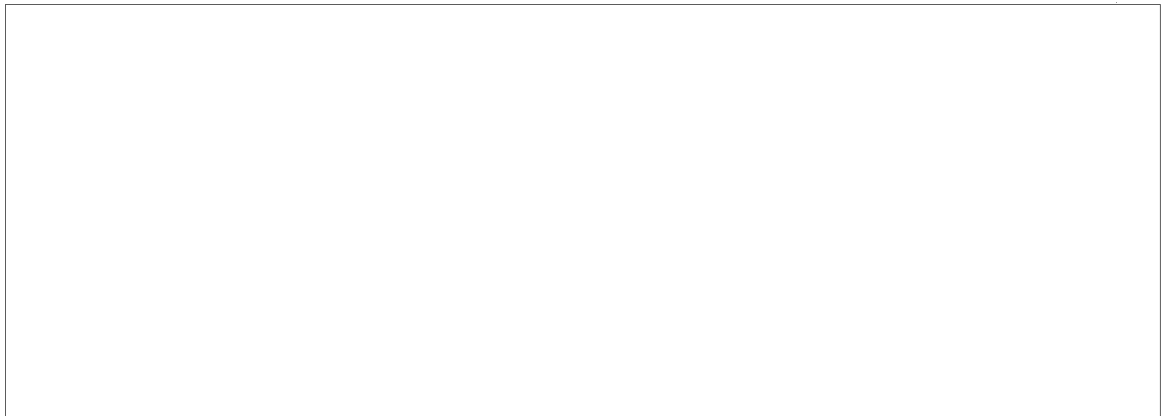
The original Lebanese plan for a second stage called for the deployment of a slightly larger Army contingent that would be transported by Lebanese Army vehicles, rather than by UN helicopters. This was opposed by the Israelis. [redacted]

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Nonetheless, Beirut's latest move will lend further credence to its claims that it is attempting to meet the conditions of UNIFIL's mandate. [redacted]

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ROMANIA: Worker Layoffs

Shortages of steel led the Romanian Government to lay off thousands of workers in metal-fabricating plants last month. Deliveries of Soviet and East European coking coal and iron ore to Romanian steel plants are running far behind schedule because of production shortfalls, Romanian transportation tie-ups, and trade disputes. In addition, Romanian energy supplies have been generally tight this winter. The layoffs are likely to add to the popular dissatisfaction caused by existing shortages of consumer goods and the government's failure to deliver on promises of higher wages.

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FRANCE: Defense Budget

The 1979 French defense budget of about \$18 billion reflects France's continued emphasis on upgrading its military forces. The budget represents a real increase of nearly 5 percent, when adjusted for inflation, over last year's budget--well above the NATO target of 3 percent. French defense expenditures have doubled since 1974. France is seeking to increase its combat capabilities by reorganizing existing forces while keeping personnel levels about the same, and by introducing new weapon systems, such as tactical nuclear weapons and new ships. France is also purchasing additional transport aircraft for overseas intervention forces. Only volunteer regiments can be sent overseas without prior approval by the National Assembly, however, and this continues to limit French capabilities to intervene rapidly, since the Army is composed largely of draftees.

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UN: North-South Overview Committee

A one-week meeting of the controversial UN Committee of the Whole that oversees discussions between industrialized and developing countries on international economic issues opens today in New York. Although the developing countries have not focused on specific objectives for the meeting, they may try to test the recent UN General Assembly agreement that allows the committee to negotiate some unresolved North-South economic issues. The last meeting, in September 1978, was suspended when the US strongly resisted this expanded role for the committee. Most Western countries are sending low-level representatives to underscore their view that the committee should play a relatively minor role.

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TANZANIA-USSR: SA-6 Deliveries

25X1 The Soviets delivered SA-6 surface-to-air missiles, launcher vehicles, and accessories to Tanzania late last month, [REDACTED]

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[REDACTED] the shipment would complete the delivery of SA-6 equipment Tanzania purchased last March. Tanzania plans to deploy the SA-6s on the Ugandan border. The March agreement called for 20 launchers and support equipment to deploy five firing battalions. Tanzania earlier received five mobile radars and eight launcher vehicles, and some 225 Tanzanians have received SA-6 training in the USSR. The Soviets also delivered multiple rocket launchers and small arms and ammunition ordered before the fighting with Uganda began. [REDACTED]

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Syria-Iraq

[redacted] Syrian-Iraqi talks on possible unification of the two countries have produced agreement to cease all activities against each other and not to harbor the other country's dissidents. Damascus reportedly has already asked Iraqi dissidents to leave Syria and has "frozen" its support of Kurdish dissident Jalal Talabani. [redacted]

[redacted]

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UK

According to press reports, Prime Minister Callaghan met last night for three hours with two key union leaders who said afterward that they had rejected the truck owners' proposal to submit issues in the truck drivers' strike to arbitration. Callaghan warned that the consequence of excessive demands and widespread industrial action would be an unsympathetic Conservative government. The cabinet will meet this morning to discuss the worsening strike situation and decide whether a state of emergency will be declared; the decision will be announced this afternoon. [redacted]

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COMMENT: *In announcing the government's intentions, Callaghan took a tougher line with the unions than he had taken last week. Although many union leaders are anxious to cooperate with the government, there is no sign that the truck drivers themselves are willing to back down.* [redacted]

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Yugoslavia-Cuba

Yugoslav Foreign Minister Vrhovec, in a speech last night at a dinner for Cuban Foreign Minister Malmierca, condemned any foreign interference in other nations' affairs and specifically referred to "hegemony," a Yugoslav codeword for Soviet domination of other countries. According to the press, Malmierca's text focused entirely on positive references to the unity and influence of the nonaligned movement. [REDACTED]

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COMMENT: Cuba and the USSR publicly support the new regime in Phnom Penh, while the Yugoslavs have denounced the Vietnamese move into Kampuchea. Malmierca is on the first leg of a trip to several nonaligned states to make preparations for the nonaligned summit in Havana in September. Vrhovec's remarks indicate that the events in Kampuchea already have become a divisive issue in nonaligned circles. [REDACTED]

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Poland

The US Embassy doubts that the 8-percent increase in the price of gasoline will have any real impact on gasoline consumption in Poland, where the automobile remains a status symbol. The government, for political reasons, is unable to boost the price to a level that would cut back consumption. The Embassy notes the persistent rumors that the government is preparing plans to ration gasoline. It also gives credence to the official explanation for the price increase--that it is a response to the recent OPEC decision to raise the world market price of oil. The Embassy comments that Soviet oil deliveries to Poland are expected to remain fixed over the next several years and that Poland thus must obtain an increasing proportion of its oil from OPEC states to meet increasing industrial and consumer demands. [REDACTED]

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